

Audit Division Overview

Audit Division Personnel

The Audit Division currently has a professional staff of 103 employees (78 located in Las Vegas and 25 in Reno), and a clerical staff of 12. All professionals have degrees and, as Agents of the Board, are peace officers of the State of Nevada and are required to carry a badge and identification. The Audit Division is organized much like a large CPA firm, but with different job titles (i.e., Chief Auditor, Chief Deputy Auditor, Audit Manager, Audit Supervisor, Senior Auditor, and Auditor).

CPA Certification

The Audit Division's audit experience qualifies for CPA certification experience in Nevada. The requisite college degree, four years experience with the Audit Division and 152 hours of supplemental training (currently provided by the Board) are required to become certified. Presently, over 50% of the Audit Division's professional staff are either CPAs, or have passed the CPA exam and are in the process of satisfying their experience requirement.

Audit Division Responsibilities

The Audit Division is charged with performing the following specific responsibilities:

1. **Audits** - The Audit Division is primarily responsible for auditing Group I casinos throughout the state (i.e., those casinos with annual gaming revenue of approximately \$3 million or more). Presently, there are approximately 180 such casinos, and the audit cycle is about three years.

The primary objectives of a Board audit are to determine the proper reporting of gaming revenue, and to determine if the casino has complied with all applicable gaming laws and regulations. In meeting these objectives, the division uses procedures common to the auditing profession. Internal accounting controls are thoroughly analyzed, in-depth analytical review of operating statistics is undertaken, and detail tests of transactions are performed. The objective of these procedures is to gather sufficient audit evidence to render an audit opinion. At the conclusion of an audit the division issues a written report to the Gaming Control Board, which includes this audit opinion. The Audit Division is required by regulation to perform audits in accordance with generally accepted auditing standards.

The division employs various means in gathering audit evidence. Covert, surprise observations of casino procedures are routinely conducted on an interim basis throughout the audit period. Interviews with casino personnel are periodically

performed to ensure that the casino is complying documented internal accounting controls. For those casinos with branch offices outside of Nevada (including those outside of the country), inspections of these offices are performed by Audit Division Agents to ensure that proper operating procedures are being followed.

2. **Currency Transaction Monitoring** - State gaming Regulation 6A entitled “Cash Transactions Prohibitions, Reporting, and Recordkeeping” is designed to prevent money laundering in casinos. This regulation was imposed in lieu of federal currency laws applicable to casinos in all other states. It is the Audit Division’s responsibility to ensure that casinos are complying with this regulation. Violations of the regulation may result in fines ranging from \$25,000 to \$250,000 per violation, and/or criminal prosecution.
3. **Compliance Reviews** - A number of other businesses in Nevada are required to be licensed in addition to casinos. Operators of slot machine routes, slot machine manufacturers and distributors, disseminators of racing information, operators of inter-casino linked gaming systems, and pari-mutuel systems operators are required to comply with a number of statutes and regulations. The Audit Division will periodically review these operations for regulatory and statutory compliance.
4. **Research and Development** - The Nevada gaming industry’s use of casino computer systems has expanded dramatically in recent years. Most keno operations and all race/sports books are computerized. Many casinos have their slot machines linked to an on-line computer monitoring system. The Audit Division is responsible for reviewing these computerized gaming systems, and recommending these systems for approval to the Board. The division uses EDP audit techniques in performing these reviews.
5. **Special Investigations** - On occasion, the Audit Division is assigned special investigations work. These investigations often entail developing evidence to prove skimming (the diversion of funds to avoid the payment of taxes) or money laundering in a casino. This work may be performed in conjunction with other state or federal agencies such as the FBI, IRS, etc.
6. **Other Responsibilities** - The Audit Division has a number of additional responsibilities, including but not limited to:
 - a) Audit Division Agents periodically perform cash counts to ensure that the casinos have sufficient funds, pursuant to Regulation 6.150, to operate.
 - b) Casinos with revenues in excess of approximately \$6.6 million are required to submit annual audited financial statements. The Audit Division analyzes these statements to monitor the entities continuing financial viability.
 - c) Certain transactions (e.g., loans and leases) made to casinos must be approved by the Board and Nevada Gaming Commission. The Audit Division reports to the Board all

such transactions that have been submitted, along with the source of the funds. This is necessary to ensure that the casinos only receive funds from reputable sources.

- d) The Audit Division routinely monitors, through numerous statistical reports, the performance of all casino games in the state. If substandard performance is observed, various types of follow-up work are performed to determine the reasons for this poor performance.